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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Carol L. Bjelland
Director
Regulatory Matters
April 25, 1996

GTE Service Corporation
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Washington, D.C. 20036
(202) 463-5292

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N. W.
Washington, D. C. 20554

RE: EX PARTE: CC Docket No. 95-185

Dear Mr. Caton:

This letter shall serve as notification that, on April 24, 1996, John Roe, GTE Telephone Operations and the undersigned met with Jim Coltharp, Dan Grosh, Kathryn O'Brien, Rhonda Lien, Zenji Nakazawa and Walter Strack of the Commission's Wireless Telecommunications Bureau. The purpose of the meeting was to discuss GTE's position on the arbitrage and interconnection negotiation issues raised in the above-referenced proceeding. The attached materials were used to further illustrate points previously raised by GTE in its Comments and Reply Comments in this proceeding.

On April 19, 1996, the undersigned and other representatives of GTE met with several members of the Wireless Telecommunications Bureau to discuss GTE's position on the legal issues raised in this proceeding. In the course of the discussion, GTE explained in further detail its position, as reflected in its Comments and Reply Comments, on the relationship between Section 332 and Sections 251 and 252. Attached is a concise summary of GTE's position on this point.

Please include this letter, and the attached materials, in the record of this proceeding in accordance with the Commission's rules concerning ex parte communications.

Questions concerning this matter should be directed to the undersigned.

Sincerely,

Carol L. Bjelland

Attachments

C: J. Coltharp
 D. Grosh
 K. O'Brien
 R. Lien
 W. Strack
 Z. Nakazawa

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LEC-CMRS INTERCONNECTION

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Under sections 251 and 252, where a LEC and a CMRS provider have not been able to reach agreement on "reciprocal compensation arrangements for the transport and termination of telecommunications" (§ 251(b)(5)), the state commission is charged with arbitrating a reciprocal compensation arrangement. (§ 252(d)(2).) This state commission role as arbitrator is entirely consistent with (and does not undo or in any way override) section 332(c)'s preemption of state commission authority over CMRS.

- Section 252 deputizes the state commission as a federal actor to implement a federal scheme. In acting as arbitrator, the state commission is charged with implementing federal law. If it fails to carry out its responsibility, the FCC may preempt it (§ 252(e)(5).)
 - Section 252(e)(3) does preserve (subject to section 253) existing state commission authority to enforce other requirements of state law. But since there is no state (*qua* state) authority to regulate the entry of or the rates charged by CMRS providers, there is nothing here to preserve. In short, section 332(c) continues to preempt state regulation of CMRS entry and rates.
- By contrast, before the enactment of section 332(c), a state commission exercised the sovereign power of the state to regulate CMRS entry and rates.
- Far from cutting back on section 332(c)'s federal preemption of CMRS, sections 251 and 252 expand it: all LEC-CMRS interconnection is subject to the federal 251/252 scheme.
 - The most serious legal challenge to sections 251 and 252 is that they take too much authority away from the states, not that they re-confer authority on them. But Congress, by crafting section 252(e)(5), has carefully complied with the Supreme Court's Tenth Amendment's rulings. See New York v. United States, 112 S. Ct. 2408, 2424 (1992) ("where Congress has the authority to regulate private

activity under the Commerce Clause, we have recognized Congress' power to offer States the choice of regulating that activity according to federal standards or having state law pre-empted by federal regulation").

- This does not mean that CMRS is deemed "interstate." On the contrary, both section 332(c) and sections 251 and 252 confer federal authority over CMRS notwithstanding the fact that it is predominantly intrastate.
 - The FCC therefore does not have authority under section 201 to mandate bill-and-keep. The FCC's section 201 authority extends only to interstate communications. The interstate and intrastate components of CMRS are not inseparable. Nor is there any clash between how the two are regulated: both are subject to sections 251 and 252.

CMRS Interconnection and GTE Telephone Operations

John Roe
Senior Group Product Manager
Network Services

April 24, 1996
GTE Ex Parte

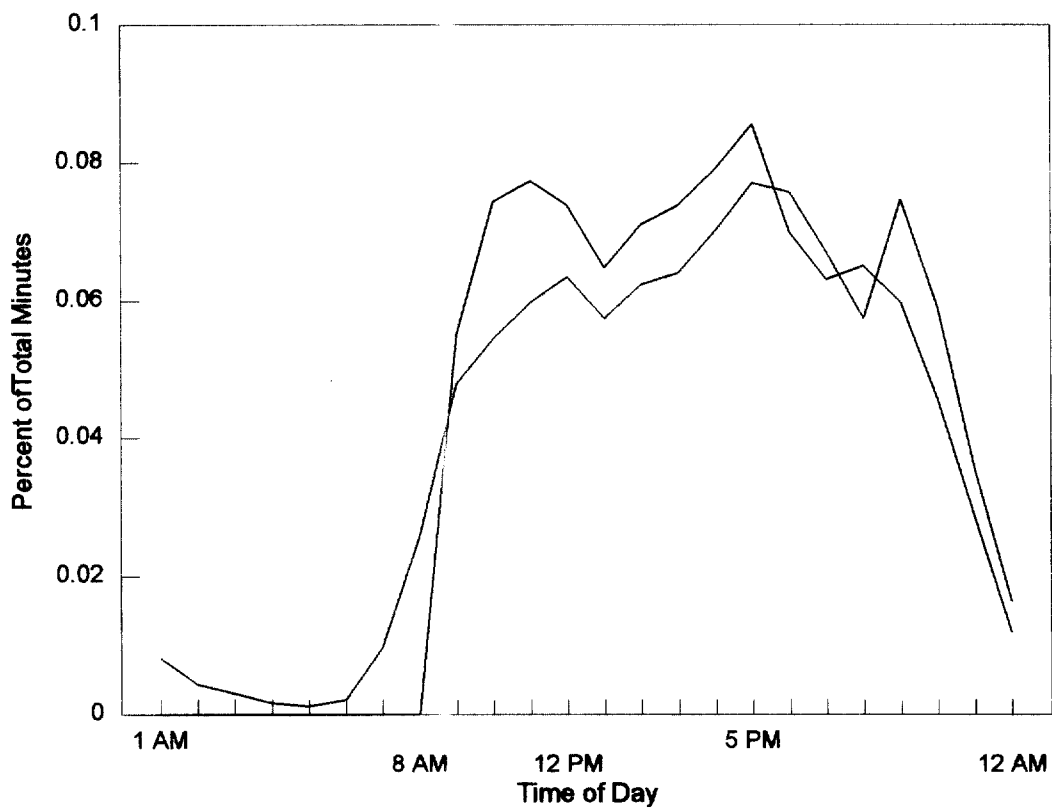
The Brock Report and Bill & Keep

- Brock Report states off-peak cost is 0.0 cents and peak is 2.1 cents, average of 0.2 cents.
- Incorrectly assumes the majority of wireless traffic is during the LEC's off-peak.
- GTE study reveals wireless traffic in reality coincides with LEC traffic flow (same distribution of peak and off-peak).
 - One week study of total Texas wireless traffic through GTE interconnections.

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Minutes of Use by Hour

LEC and CMRS Traffic



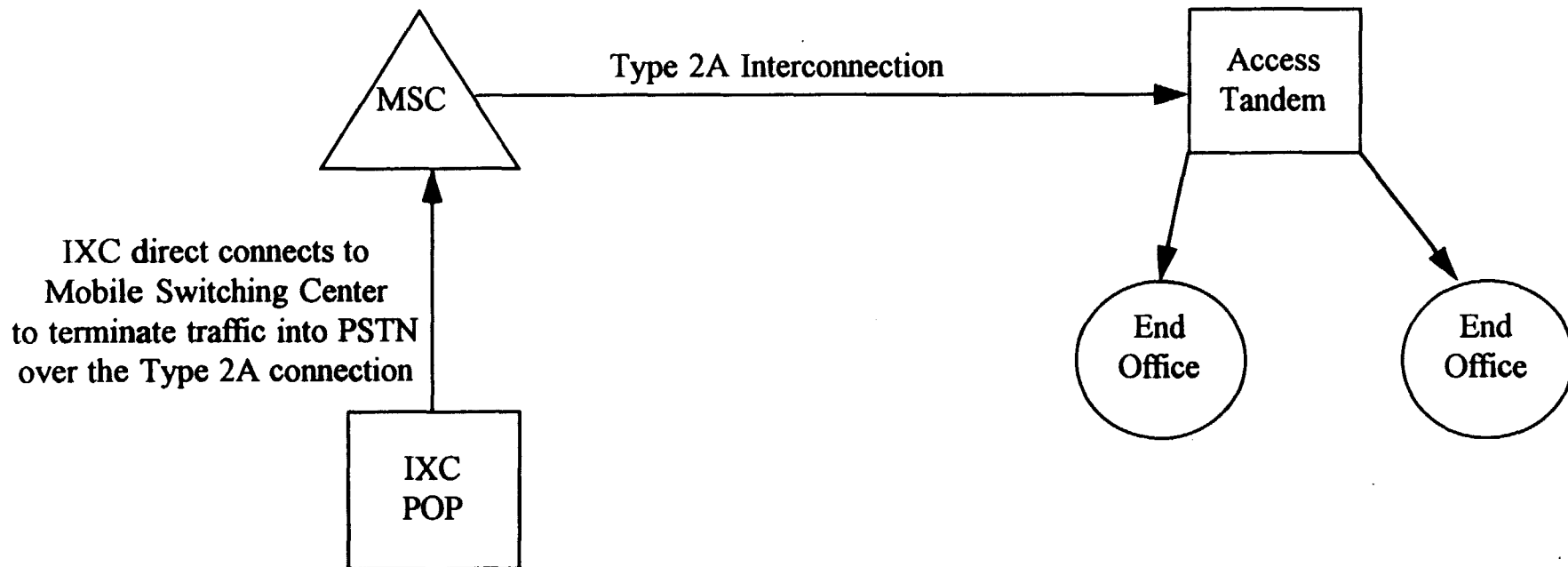
— LEC Profile
— CMRS Profile

Arbitrage Opportunity

- LECs typically do not have the capability of identifying the origin of a call.
 - IXC versus CMRS provider.
- Under Bill and Keep, the IXC would be motivated to send this traffic through an MSC.
 - “Why pay access charges?”

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Arbitrage Opportunity



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Successful Negotiations

- Lower rates
- Customized arrangements and enhanced services.
- Win - Win results.

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Successful Negotiations

- Of 27 States where GTE Telephone Operations Operates, 6 states generate 80% of GTE's wireless access volumes.
 - California
 - Florida
 - Hawaii
 - Indiana
 - Texas
 - Washington

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Successful Negotiations

- Successful Negotiations with CMRS providers have resulted in:
 - Rates decreasing an average of 22% over a three year period.
 - Volumes increasing approximately 346% over a three year period.
 - Vast majority of GTE's arrangements are either customized or contain enhanced services.

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Enhanced Services and Customized Arrangements

- Result of successful negotiations.
- Benefits both CMRS providers and GTE Telephone Operations
- May Include:
 - Reverse Billing
 - Wide Area Calling Plans
 - Honored Distributed NXX
 - Volume Discounts
 - Time of Day Discounts (FL and CA)
- Entire Agreement benefits both parties.

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Benefits of Reverse Billing Option

- Allows CMRS provider to pay wireless access charges in lieu of landline end user paying toll charges.
- Almost universally selected by CMRS providers as a tool for stimulating airtime charges.
- GTE's average toll rate is 16 cents per minute; the average land to mobile access rate is 4 cents per minute.
 - GTE offers this enhancement in order to “win” the interconnection.
- Both parties benefit.

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Benefits of Honored/Distributed NXX

- Provides expanded L/M Calling Scope.
- Conserves NXX utilization.
- Eliminates End User toll charges
- Stimulates Airtime Usage

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Interim Solution

- Implementation of an Interim Solution will be inefficient and costly.
 - LECs have already spent millions in system enhancements.
- Solution must be consistent with Telecommunications Act of 1996.

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